

Improve the Ability of State Government to Achieve Results Efficiently and Effectively. Tollgate #3

1. Map of Causal Factors

Attached for your reference.

2. List key indicators of success and high-level purchase strategies. Please note if changes have been made from Tollgate #2.

Indicators
Citizen Satisfaction
Central Service Agencies Unit Cost of service delivery
Recruitment & Retention
State's Bond Ratings

The indicators remain the same.

High-Level Strategies

- Human Resources
- Logistical Support
- Financial Resources
- Decision Support
- Governance

3. Based on agency budget submittals, agency responses to targeted budget instructions, and other research since Tollgate #2 please answer the following questions:

A. What one or two new ideas suggested by your team or agencies appear most worth pursuing to improve results or reduce costs?

Strategic Sourcing: The state spends more than \$3 billion each year on goods and services. With less than 15 percent of this amount procured under an aggregated or central contract, the state is not leveraging its purchasing power and providing the best value for taxpayers. For example, recent aggregation efforts in Washington have resulted in significant savings, including \$4 million for radio communication equipment and \$500,000 for auto parts. When acquisitions are made in a strategically aggregated manner, national experience both in and out of government report reduced costs of 10-20 percent.

Steps necessary to implement this idea include:

1. Establish data collection process and system for analysis that support a strategic enterprise approach to acquisitions.

2. In close consultation with affected state agencies (customers), the Department of General Administration (GA) and the Department of Information Services (DIS), supported by the Office of Financial Management (OFM) and the Governor's Office, establish protocols that:
 - Eliminate redundancy occurring from multiple solicitations and awards for similar goods and services;
 - Use mandatory contracts as a strategy to achieve the best value and reduce agency resources applied to sourcing efforts "looking for a better deal";
 - Use negotiations to improve contract position; and
 - Combine the dollars spent by agencies and local government.
3. Refine agency delegated spending authorities to support an enterprise approach to purchasing.

Supply Chain Management: It is estimated that state agencies collectively maintain consumable inventories of about \$88 million. By developing strategies and action plans for reducing the state's investment in inventory and the need for warehouse space while maximizing availability of supplies and products used or sold by state agencies, a one-time savings of \$40 million over three years could be realized.

There are significant and undervalued costs associated with supply chain management across state government. The purchase price of supplies is only a fraction of the actual cost. Total supply chain costs include: identifying and forecasting the supply need, sourcing, order placement, transportation, inventory control, demand management, storage, payment, redistribution, administrative overhead, and disposal. Without an enterprise-wide approach, these supply chain costs are not factored in to life cycle ownership, activities are replicated throughout state government and cost savings from aggregation are missed.

Some of the largest agencies have recognized the opportunities for savings and efficiencies in this arena and have begun to look into this issue. There is an established statewide supply chain management group, which is identifying and executing strategies to reduce consumable inventory, refine transportation activity and consolidate warehouse space. The Washington State Department of Transportation (WSDOT) is currently leading a multi-agency effort to develop a statewide consumable inventory system.

Steps necessary to implement this idea, all in close consultation with affected agencies (customers):

1. GA conduct a survey regarding inventories, including all warehouse and storage space currently, or planned, to be utilized; all distribution and transportation of supplies and equipment, and disposal actions.
2. GA in its administration of leases include an escape clause in long term leases of warehouses and/or storage space, and coordinate all leases for warehouses or storage space with the Office of State Procurement (OSP).

3. State agencies adopt the following objectives and commit policy level staff in order to:
 - a. Reduce warehouse space in Thurston County by 60,000 square feet and statewide by 100,000 square feet over the next 3 years; and
 - b. Consolidate transportation through share routing, backhauling and collaborative utilization of trucks.
4. GA, WSDOT and OFM work closely with other state agencies to implement a statewide consumable inventory management system.
5. GA develop a policy that reflects best-practices in logistics to standardize transportation, warehousing and management of state surplus.
6. Implement statewide management benchmarks for operational inventories.

B. What changes in government operations, or in state law, are necessary to implement these new ideas?

Both the Strategic Sourcing and the Supply Chain Management proposals seeks to change years of entrenched purchasing and inventory practices. Currently agencies have tremendous flexibility in how and what they purchase, as well as how they handle the warehousing of their inventories. Both of these proposals are a significant change to current business practices. This will require a significant effort to overcome the cultural resistance to an agency's loss of control and a mistrust of centralization. An important component of this effort will be to work closely and carefully with affected agencies to ensure unique needs and requirements are considered, as well as the means of implementing the savings that will accrue. In addition, one key objective of both of these proposals is, at a minimum, to retain the same level of quality of the service or good that is procured by agencies.

Statutory changes may be needed to limit the delegated purchasing authority of certain state agencies. No statutory changes are required for the implementation of the Supply Chain Management idea.

C. For the Future:

A few other ideas that Team 11 looked into and would propose for possible implementation include:

1. **Leadership Development:** Leadership development is intended to prepare state managers with the leadership competencies needed now and into the future. The attention on government efficiency, effectiveness, and high performance will fall directly on the shoulders of state managers and their leadership capacity. With these demands and the anticipated retirements of a significant number of leaders in the next few years, developing a statewide cadre of high performance leaders will be imperative to the success of our state.

2. **Enterprise Architecture:** Enterprise Architecture (EA) is a framework comprised of a set of principles, practices, policies, models, standards, and guidelines that are derived from the state's business requirements, which guide decision-making and the engineering of an agency's information systems and technical infrastructure. The focus of the Information Services Board's EA effort is on those parts of the architecture that provide business benefit when made common across the state.
3. **SMALL AGENCY INITIATIVE:** The Small Agency Initiative Committee (SAIC) was established as a collaborative effort between the OFM, GA, and DIS. The SAIC have developed and implemented a series of high-impact technology and facility strategies that have allowed small agencies to take advantage of the DIS central e-mail system and world-class infrastructure, as well as take advantage of co-location opportunities with other state agencies to garner operating efficiencies and savings. Small agencies are now accountable for their IT budgets and facility management, and the State Government Network is more secure because small agencies are performing security planning, complying with security policy and implementing cyber security tools on their networks and desktops. The lessons learned from the SAIC can now be used in managing future facility and IT needs of all state agencies. For example, by coordinating leases, greater opportunities exist in co-locating agencies to take advantage of economies of scale.
4. **Financial and Administrative Systems Roadmap:** Over the past 10 years, Washington has become a recognized leader in using technology to deliver efficient and dependable services to our clients and citizens. Building on the lessons learned from the development of the Human Resource Management System (HRMS), OFM, GA, DIS, and an advisory group of state agencies will create a comprehensive Roadmap for the future of the state's financial and administrative processes and information systems. This Roadmap will outline the steps for moving toward an enterprise set of integrated policies, processes, information tools and data.